COMMANDERS DIGEST
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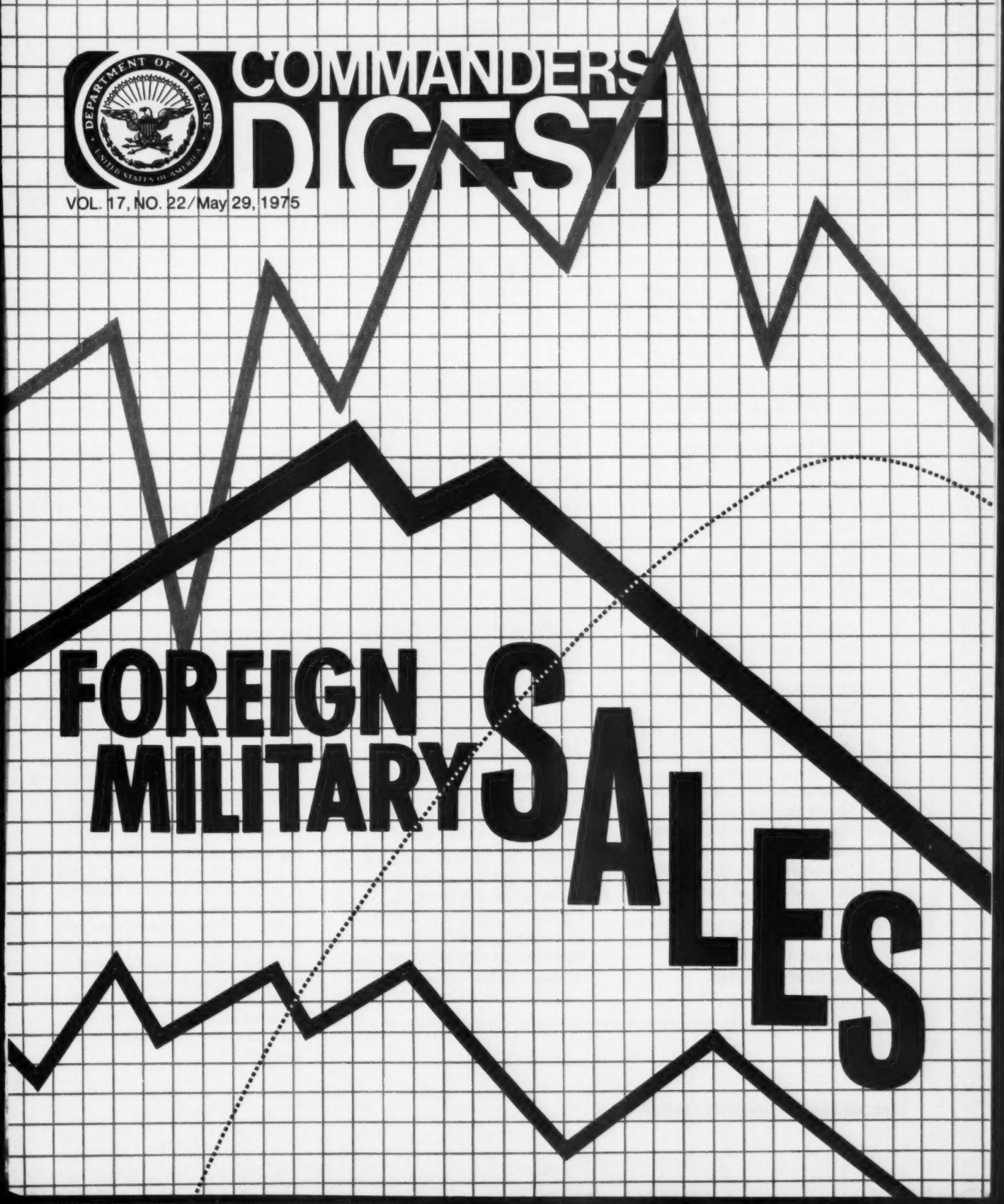
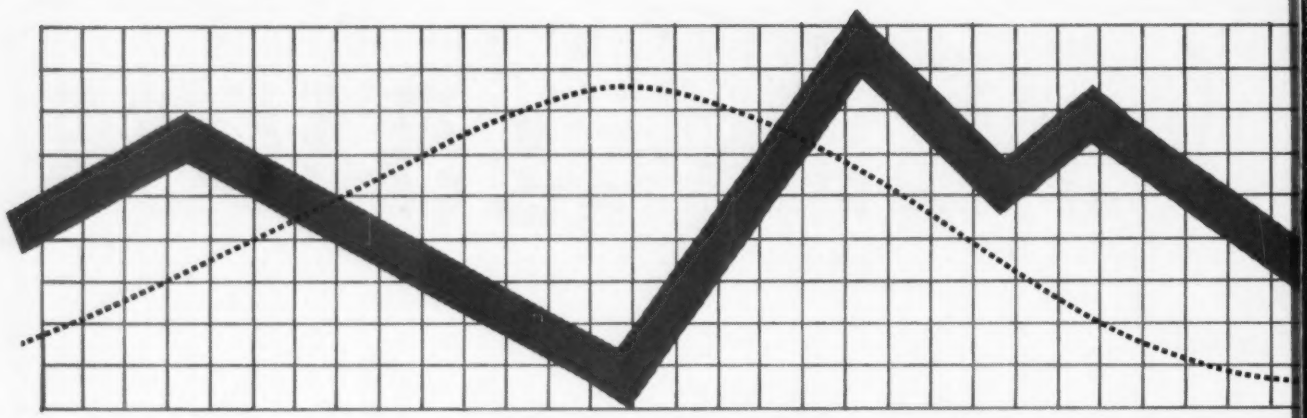


FOREIGN MILITARY SALES



Lieutenant General Howard M. Fish, USAF, became Director of the Defense Security Assistance Agency in October 1974.

He entered the Army Air Forces in 1942 and received his navigator rating and commission as a second lieutenant in the Army Air Corps in July 1944.

During World War II General Fish served as a navigator in the European Theater of Operations on a B-17. He was shot down over Vienna, Austria, in February 1945, and spent the remainder of the war as a prisoner of war in Germany.

During the Korean War he flew 63 combat missions.

In March 1969 he was named Director of Tactical Analysis,

Seventh Air Force, Tan Son Nhut Airfield, Republic of Vietnam.

General Fish returned to Headquarters U.S. Air Force in July 1970 with the Deputy Chief of Staff, Plans and Operations. He was appointed Deputy Director of the Budget, Office of the Comptroller, in February 1971 and became Director of the Budget in October 1973.

Probably the most significant trend in arms transfers in recent years is the declining use of grant aid to supply the needs of our friends and allies, and the increasing reliance upon Foreign Military Sales (FMS) credit and cash sales. The grant military assistance program has been reduced from $5.7 billion in 1952 to $600 million or less in recent years. Conversely, U.S. Foreign Military Sales (which began in 1950) have grown to a total of $8 billion in sales agreements for FY 74 and accounted for 90 per cent of the total U.S. arms transfers last year. The most dramatic increase has been in the past three years.

Significantly, the Soviet Union has continued to transfer massive quantities of war materiel to nations outside the Warsaw Pact states. Many third-world countries have sought to purchase Soviet weapons because Soviet weapons exports are highly competitive when offered on concessionary credit terms and at cut-rate prices. Likewise, other producing countries have continued to expand their arms sales to nations in areas where we have sought to maintain stable arms balances.

This increase in worldwide arms sales has raised several questions. One question frequently asked is to what extent have our military capabilities and our force readiness suffered as a result of increased sales of major U.S. weapons systems.

FOREIGN MILITARY SALES

By
Lt. Gen. H.M. Fish, USAF
Director,
Defense Security Assistance Agency

As a result of the October 1973 War in the Middle East, we selected some items of equipment primarily from U.S. Reserve force inventories and from prepositioned North Atlantic Treaty Organization (NATO) war reserve stocks in Europe and provided them to Israel under Foreign Military Sales Agreements on an emergency basis to maintain an arms balance in the Middle East. As a result there has been some adverse impact on our short-term ability to deploy reinforcements to Europe. While Reserve modernization will be delayed somewhat as a result of the transfer of armored combat vehicles, air-to-ground, anti-tank and air-to-air missiles, and fighter aircraft, eventually improved modernization will result as the older equipment diverted to allies is replaced with more modern items. In addition, these requirements have focused attention on the need to augment parts of our own production base for supplying the total U.S. forces.

It should be emphasized that meeting foreign requirements from assets in the hands of U.S. units, or being produced to equip those units, is not our normal way of doing business. Equipment is diverted from U.S. requirements only when such action is determined to be in the best interests of the United States in coping with an unusual situation. Most sales are from production arranged specifically for the foreign buyer, and this production helps rather than hurts the equipping of U.S. forces.

The general inter-relationship among inventory objectives, procurement programs, and asset distribution for U.S.-owned assets has been raised by several committees of the Congress, however, and I would like to discuss them briefly. The Department of Defense translates broad National Security Policies into detailed force sizing and logistics planning scenarios in developing the overall Defense program. In the planning process, a specific force structure is defined and then applied to a common set of plausible wartime scenarios. This allows each of the Services to estimate its wartime needs for specific items of equipment and consumables, such as munitions, on a consistent basis.

The estimated wartime combat consumption or attrition, and estimated wartime production buildup capabilities, are then considered in computing war reserve inventory objectives. These objectives also include the assets needed to equip units and provide a peacetime repair pipeline. Our war reserve stockpile and production capacity sizing also take into account the possibility of future wartime demands of certain allies.

We specify target dates for attaining these established inventory objectives and construct the detailed procurement programs to meet them. These target dates are selected and procurement programs designed so as to move toward the inventory objectives at a pace that strikes the best possible balance between overall fiscal constraints on the one hand, and concerns for near-term inventory levels, force modernization and maintaining active production lines on the other. In contrast to this long-term procurement planning process, the short-term distribution of assets in inventory and coming off production lines is based on current, "real-world" considerations which in some instances dictate that we divert some assets to foreign countries.

With regard to the provision of material to foreign nations we review all requests from foreign nations for arms purchases. The availability of

these items from existing stocks and production lines are carefully considered and each projected sale or transfer is reviewed by the Military Department affected for possible impact on Service strength and operational readiness.

In our major weapon system acquisition planning, we attempt to take account of anticipated foreign military sales in planning production capacity and long-term procurement rates. For example, in the case of tank transfers, recent action has been taken to increase M-60 series tank production appreciably to make up the shortfalls created by transfers to Israel. These tanks will eventually replace the older M-48 series withdrawn from the Reserves. Concurrently, the Army has initiated a program to convert M-48A3 tanks and unserviceable M-48A1/M-48A2C tanks to the M-48A5 configuration. Thus, over time, the Reserve components will receive new equipment which will result in a more modern and effective U.S. force.

All known foreign sales are considered in establishing weapons production rates. In some cases, this can result in the spreading of research and development costs and, therefore, some reduction of unit cost of equipment for the Military Departments. Such cost reductions can help to offset the risk of temporary reductions in selected weapons stockpiles.

A legislative proposal is being made this year to assist in alleviating the adverse impacts of foreign sales on our U.S. inventories. It would help reduce the rate of short supply by establishment of an inventory replenishment fund in the amount of $300 million to initiate procurement of certain critical long-lead time items in anticipation of foreign military sales and to reduce the impact on inventories and procurement programs. Equipment ordered using these funds will assist in reducing adverse impact on force readiness, while meeting pressing foreign requirements in the national interest. When this equipment is used to meet foreign requirements, it will be paid for by the foreign country.

Items sold to allies are not taken indiscriminately from Service stocks without careful consideration of the effect on force readiness. I would like to describe briefly the sales procedure and the review process by which arms transfers are approved.

Our sales responsibilities are carried out under provisions of the Foreign Military Sales Act. The Department of State determines whether or not a particular country is eligible to make purchases under the act. Detailed intra-governmental coordination must be accomplished before a particular transaction is actually consummated. The major guidelines governing all sales are:

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- Sales are only made when they will further the foreign policy objectives and serve the best interests of the United States.
- Wherever practicable, foreign countries are encouraged to purchase directly from U.S. commercial sources rather than through the Department of Defense.
- We discourage the purchase of items we believe the foreign country does not need or cannot afford.

These general criteria can, for example, be applied to the Middle East, where the United States has continuing strong security interests. The stability of, and access to, the Persian Gulf area with its tremendous oil reserve is of essential importance to the Free World.

When a country has decided that it is interested in procuring a particular defense article or service, it makes an appropriate purchase request through diplomatic channels to the Department of State, or through military channels to the Department of Defense and then to State. Upon receipt of the request, the State Department determines, after consultation with the Department of Defense, whether the proposed purchase is consistent with U.S. objectives and policy, and whether it will serve our national interest.

Once the review and approval process has been completed, the appropriate Military Department is requested to prepare a Letter of Offer (DD Form 1513) for articles and services required. The Letter of Offer stipulates the terms and conditions under which the sale is proposed. If the Letter of Offer is for over $25 million it is referred to the Congress for review. The Foreign Assistance Act provides that if the Congress by concurrent resolution objects to a proposed sale the Letter of Offer is not issued.

Upon acceptance by the foreign government, the Letter of Offer is returned directly to the issuing Military Department. The Military Department then takes implementing action in accordance with the same procedures that govern its own procurements.

Both the State Department and Defense Department continually review all requests from foreign nations for arms purchases. The requirements of the requesting country, the possible use to which the equipment would be put, the threat facing the requesting country, the availability of such items from existing U.S. stocks or from production lines, and our total force policy are all carefully considered in approving or disapproving such projected sales. As I mentioned earlier, each projected sale or transfer is also carefully reviewed by the Service affected and each has an opportunity for full review or examination of any possible adverse impact on Service strength of active forces.

Having outlined briefly the process through which we administer Foreign Military Sales, I would like to touch upon certain aspects that have to do specifically with training, with emphasis on training we carry out in a foreign country.

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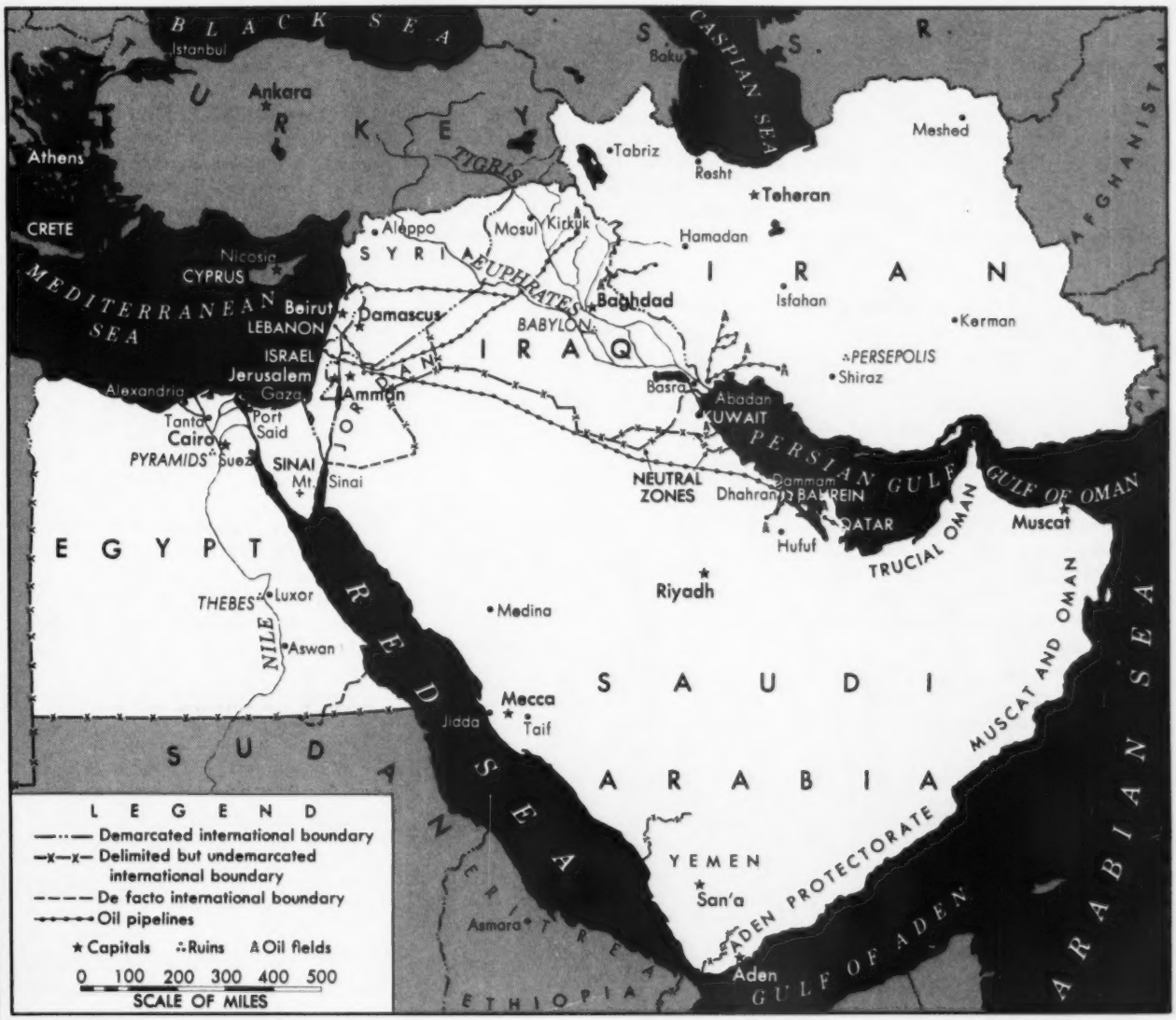

The United States has continuing strong security interests in the Middle East. The stability of, and access to, the Persian Gulf area with its tremendous oil reserve is of essential importance of the Free world.

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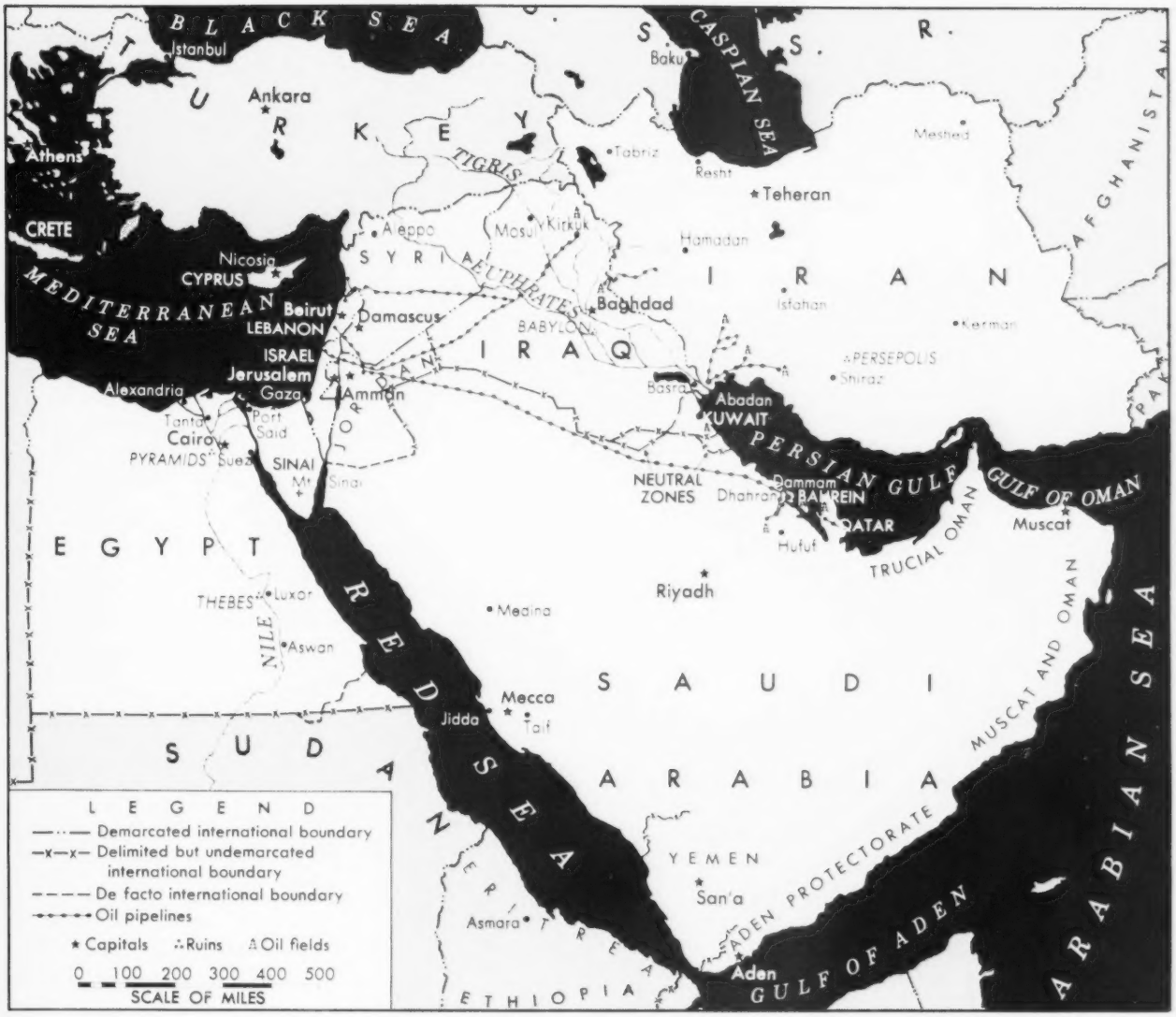

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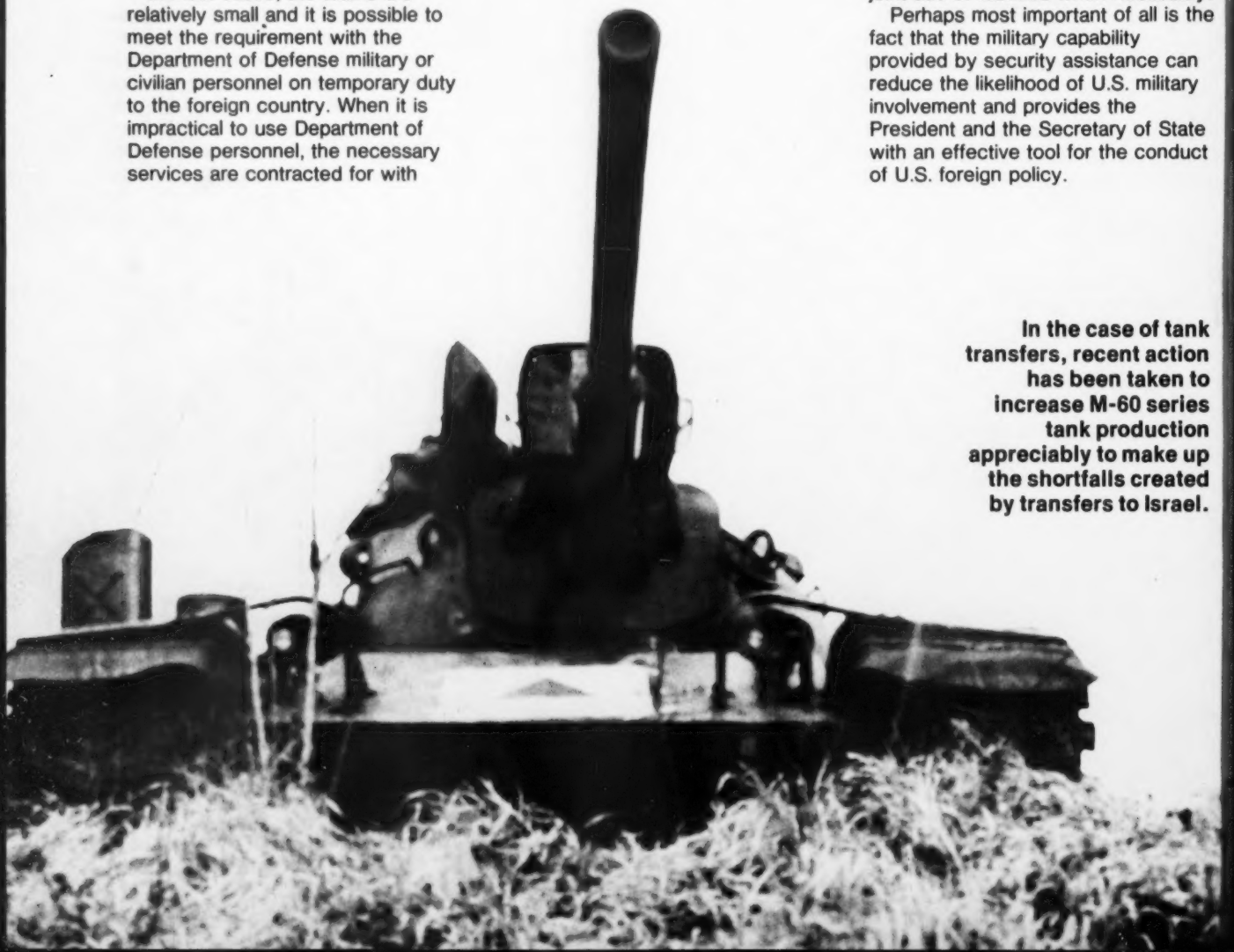
Since the beginning of the Military Assistance and Foreign Military Sales Program, the Department of Defense has satisfied numerous requests for training and technical assistance that, as a practical matter, are best conducted in the foreign country. For example, training in the United States often is not practical if large numbers of trainees are involved, or periods of instruction are relatively brief. In many cases, this assistance can be rendered by U.S. personnel stationed with the U.S. Military Assistance Advisory Group (MAAG) or its equivalent in the country. There are cases, however, where the required assistance is beyond the capabilities of the MAAG or Mission and, in these cases, teams are sent to the foreign country.

In most cases, the teams are relatively small and it is possible to meet the requirement with the Department of Defense military or civilian personnel on temporary duty to the foreign country. When it is impractical to use Department of Defense personnel, the necessary services are contracted for with commercial firms. There is nothing new about this practice, which has been going on for more than two decades.

When it is decided to contract with a commercial firm for training, bids are sought in accordance with normal Department of Defense procurement procedures. If the foreign country desires, however, it may be given an opportunity to reject any or all bids or to select a contractor of its choice. All costs of these training contracts are fully reimbursable under the provisions of the Foreign Military Sales Act, so there is no cost to the U.S. taxpayer.

In addition to the previously mentioned benefits of selected lower unit costs which can offset the possible impact of foreign sales on the readiness of U.S. forces, there are other important benefits that accrue from the security assistance program. Favorable aspects of our foreign military sales program include: standardization of equipment, doctrine and training; development of close U.S. and foreign military relations and cooperation; assistance with the maintenance of U.S. base and overflight rights; maintenance of U.S. production and technological base; aiding the U.S. balance of payments; providing a broader U.S. logistics support base through Cooperative Logistics Arrangements and the facilitation of combined operations or joint use of facilities when necessary.

Perhaps most important of all is the fact that the military capability provided by security assistance can reduce the likelihood of U.S. military involvement and provides the President and the Secretary of State with an effective tool for the conduct of U.S. foreign policy.



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